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SUBJECT: A SOUTHERN CONE PERSPECTIVE ON COUNTERING CHAVEZ
AND REASSERTING U.S. LEADERSHIP

REF: ASUNCION 396

Classified By: AMBASSADOR CRAIG KELLY; Reasons 1.4(b), (d)

Summary

11. (C) Hugo Chavez's effort to expand his influence into the Southern Cone was the subject of ref A. This, part two in a series of joint cables from Southern Cone embassies, looks at ways the U.S. can counter Chavez and reassert U.S. leadership in the region. From posts' perspectives, there are six main areas of action for the USG as it seeks to limit Chavez's influence:

- Know the enemy: We have to better understand how Chavez thinks and what he intends;
- Directly engage: We must reassert our presence in the region, and engage broadly, especially with the "non-elites";
- Change the political landscape: We should offer a vision of hope and back it up with adequately-funded programs;
- Enhance military relationships: We should continue to strengthen ties to those military leaders in the region who share our concern over Chavez;
- Play to our strength: We must emphasize that democracy, and a free trade approach that includes corporate social responsibility, provides lasting solutions;
- Get the message out: Public diplomacy is key; this is a battle of ideas and visions. Septel provides detailed suggestions.

12. (C) We should neither underestimate Chavez nor lose sight of his vulnerabilities. Many of the region's leaders and opinion makers appreciate the importance of relations with the U.S. and generally want to see us more deeply engaged. They reject the notion that Chavez best represents the region's interests. We must convince not only government leaders but civil society - the person on the street - that we are committed to a progressive and democratic vision for the Americas and to helping our neighbors meet their challenges. If we can, we will make quick inroads into marginalizing Chavez' influence, bolster democracy and reassert our own leadership in the region. End Summary.

Know Thy Enemy

¶3. (S/NF) Notwithstanding his tirades and antics, it would be a mistake to dismiss Hugo Chavez as just a clown or old school caudillo. He has a vision, however distorted, and he is taking calculated measures to advance it. To effectively counter the threat he represents, we need to know better his objectives and how he intends to pursue them. This requires better intelligence in all of our countries. Embassy Asuncion, getting hold of Chavez's MSP equivalent, for example, and then sharing it with policy makers and implementers in Washington and the region helps inform and coordinate our response.

¶4. (S/NF) When we have concrete intelligence on an issue about which our friends in the region share our concern -- e.g., Venezuela's relationship with Iran -- we should share it to the extent we can. And when Chavez's programs feed local elite appetites for corruption or otherwise fail to deliver on their promises, we need to make it known.

Directly Engage

¶5. (SBU) We must challenge the mistaken notion that the U.S. is absent and aloof from the region. President Bush's visit to five countries in the region in March, and his follow-on meeting with President Lula at Camp David, made a hugely positive impression. A/S Shannon's April visit to Chile and Paraguay was similarly applauded by local leaders and the press. We need to build on this good will with a regular stream of senior-level visits, including by Cabinet members, speaking to our positive agenda for the region and producing concrete programs and agreements that respond to its

problems.

¶6. (SBU) To obtain the greatest return on these visits, we encourage Washington to explore multiple-country itineraries. When we make these visits, it is important we be seen not just with government officials and elites, but also with those who have been marginalized or are on the fringes of society. We need visits not only to those countries where leaders praise us, but even more importantly where governments have distanced themselves from us. In these places, showing the flag and explaining directly to populations our view of democracy and progress can change views about the U.S. that may have become distorted or out of date.

Change the Political Landscape

¶7. (C) Chavez' agenda is about expanding his influence and power, using the "Bolivarian Revolution" as his vehicle. This rubs a lot of the region's governmental and non-governmental leaders and opinion makers the wrong way -- particularly those who don't want to be associated with his methods or regard Chavez as a growing threat to their own leadership. We have to play to that resentment by strengthening our ties with these leaders, praising their governance, and fostering broad public respect for the progressive models they are seeking to build within their societies. Fortunately, local "case studies" of countries that are leftist-led but are democratic and fiscally responsible offer glistening counterpoints to Chavez's retrograde project.

-- Because of its sheer size and economic weight, Brazil has outsized influence over the rest of the continent. In this regard, it can be a powerful counterpoint to Chavez's project. We should help present Brazil's course -- i.e., pursuit of fiscal responsibility and strong democratic institutions, openness to the global the community, and mature engagement with both its neighbors and the U.S. -- as a progressive and hopeful model for the region.

-- Chile offers another excellent alternative to Chavez. FM Foxley seeks to integrate Chile more fully into the global economy. Chile has not only stated but demonstrated -- e.g. Bachelet's letter to House leader Nancy Pelosi expressing Chilean support for congressional ratification of FTAs with Peru, Colombia, and Panama -- its willingness to help bring along other Latin American countries into the global economy. We should look to find other ways to give Chile the lead on important initiatives, but without making them look like they are our puppets or surrogates.

-- Argentina is more complex, but still presents distinct characteristics that should inform our approach to countering Chavez's influence there. Argentina has a large middle class and a vibrant civil society open to our ideas and vision of a market-based democracy and wary of Chavez's "revolutions." Venezuela does not appear to have provided Argentina any significant subsidies or outright grants, but Chavez has been able to exploit Buenos Aires, lack of access to investment capital and international financing. Domestic and foreign investors are not providing adequate long-term investment capital to quickly develop needed infrastructure. And still unresolved post-crisis defaults on official Paris Club and private bondholder debt are restricting Argentina's access to the volume of new sovereign credits in global capital markets it would need to fund infrastructure development on its own. The obvious counter to the influence that Chavez' financial support has bought him in Argentina is to help the GoA regain direct access to international financial markets and to work with the GoA to develop the kind of investment climate that will attract the volume of domestic and foreign investment needed to build new foundational infrastructure at competitive costs. This needs to be complemented by engaging actively with civil society and key non-economic actors in the government on areas of shared concern (anti-crime, anti-terror, peacekeeping, etc.).

-- Our growing economic relationship with the pragmatic leftist government in Uruguay puts the lie to the claim that greater trade and investment with the U.S. is tantamount to

betrayal of local populations. This is critical because poor countries, like Uruguay, are vulnerable not so much to Chavez's ideology but to his petrobolivars. We need to draw attention to and build on these success stories borne out of engagement with the U.S., as alternatives to Chavez' vision of a region cut off from the U.S. Even Paraguay's leftist priest-turned presidential candidate Fernando Lugo has stated he is closer to Bachelet or Lula than to Chavez.

18. (C) Of course, we also need to make sure that the truth about Chavez -- his hollow vision, his empty promises, his dangerous international relationships starting with Iran) -- gets out, always exercising careful judgment about where and how we take on Chavez directly/publicly. While it remains preferable that we take the high road focusing attention on our "vision of hope of hope and prosperity for the region," there will continue to be times we need to speak out on the concerns his authoritarian bent raises. However, we shouldn't be alone nor necessarily always in the lead. Rather the NGO community and local civil society groups, the region's leaders and international organizations, the UN and OAS in particular, must assume a greater role in addressing this problem and put Chavez on the defensive -- not by exaggerating the threat but speaking to the facts. The recent closing of RCTV is one such area where international organizations and local media and civil rights groups could have been more vocal.

19. (C) With regard to Mercosur, we should not be timid in stating that Venezuela's membership will torpedo U.S. interest in even considering direct negotiations with the trading bloc, and in questioning when and how Mercosur plans to apply its democracy clause strictures to Chavez's regime. Without voicing hostility to Mercosur per se, we can continue to pursue FTA's with interested countries, and encourage alternative arrangements, such as Chile's "Arco del Pacifico"

initiative.

Play to our Mil-Mil Advantage

¶10. (C) Southern Cone militaries remain key institutions in their respective countries and important allies for the U.S. These militaries are generally organized and technically competent. Their desire to maintain interoperability, access to U.S. technology and training are something we can turn to our advantage. As they seek to modernize, professionalize, and transform, they seek closer relations with the US to assist in those processes. Over the past several years we have seen a steady decrease in funds for critical programs such as International Military Education and Training (IMET) and traditional Commander Activities (TCA) and the elimination of other important programs such as Foreign Military Financing (FMF) and Excess Defense Articles (EDA) due to sanctions under ASPA. To effectively maintain our mil-to-mil relations and guide pol-mil events in the region in support of our interests, we must reverse the slide. Now is precisely the time we need to be increasing our pol-mil engagement and programs vice decreasing and limiting them. We also need to revisit some long-held and frankly rigid positions on SOFA agreements and insistence on certain privileges and immunities with a view to gaining flexibility to negotiate new defense cooperation agreements with regional militaries.

¶11. (C) An increasingly unifying theme that completely excludes Chavez, and isolates Venezuela among the militaries and security forces of the region, is participation in international and regional peacekeeping operations. The Southern Cone is doing very well in this area, with all countries active contributors to PKO missions worldwide. Argentina and Chile have even formed a combined peacekeeping brigade, which is expected to be available for deployment sometime in 2008. Uruguay is the highest per-capita contributor of PKO troops. We should make more GPOI funds available to Southern Cone countries to increase and strengthen their peacekeeping capabilities and cooperation. Additionally, we should explore using the mechanism that the region's contributors to MINUSTAH (Haiti) have established to discuss ways of increasing peacekeeping cooperation on a broader scale.

Stress Our Winning Formula

¶12. (C) Chavez has made significant inroads, particularly with local populations, by providing programs for the underprivileged and by casting the U.S. as elitist and only interested in promoting free trade to the benefit of big business. The slogans are facile: Neoliberalism makes the rich richer and the poor poorer; the Bolivarian Revolution guarantees our region's sovereignty and dignity. But they ring true with some local populations and make others feel better about their own lack of progress.

¶13. (C) Transforming our image does not mean we walk away from our commitment to free trade and the promise it delivers to impoverished populations. However, it does mean we should do a better job of promoting free trade by pointing to local and global success stories, making it easier to forge FTAs, and by expanding access to U.S. markets, and by promoting investment. Concluding the Doha Round is critical to revitalizing more local trade negotiations and bolstering our own credibility. In the meantime, we should support programs that promote regional exports, particularly favoring small and medium-size enterprises, and emphasize good corporate citizenship.

¶14. (C) We must also emphasize social responsibility among corporations and investors, and as a USG priority. President Bush's March 5 speech about social justice struck a chord

throughout the region. We should be seen standing with local populations, delivering programs that speak directly to their economic and social needs, particularly in the areas of health and education. This is vital not only in the poorer countries, but equally in places like Chile and Argentina, where our very small community and youth action programs are welcomed and receive excellent media attention.

¶15. (C) Projects which foster greater transparency and democracy are important; they empower local citizens, strengthen democratic institutions, and contribute to a foundation for growth. When it comes to programs, there is no getting around the fact that we must back up policies with more resources to counteract Chavez,s easy walking around money, which is making a huge impact in countries like Uruguay. Chavez isn't waging his campaign simply on rhetoric. He is investing millions in his campaign for the hearts and minds. We can use greater discretion and use our funds in a more strategic, targeted manner, but we aren't going to transform the perception that we are not committed seriously to this region by waging our own campaign on the cheap.

Getting the Message Out

¶16. (U) Public diplomacy will be absolutely vital to our success. We cannot win in the marketplace of ideas unless we have active and effective outreach, especially to the young and those active in addressing social ills and education needs. Embassy Santiago septel addresses many PD areas in which we could be more active. People-to-people contact at the grassroots level with local leaders, NGOs, youth groups, community activists, and cooperatives is key.

COMMENT

¶17. (C) As Chavez seeks to take on the mantle of this generation,s Castro, he starts with built-in advantages, not the least of which is a whole lot of money. Add to that the bluster of his anti-imperial, anti-U.S. rhetoric, and a certain squirrelly charisma, both of which continue to find a sympathetic audience in much of Latin America, and he presents a formidable foe. But he certainly can be taken. Washington policy-makers have already hit on one sure-fire tactic: Don,t fire back at every provocation, especially when it,s clear that Chavez,s mouth has opened before his brain has engaged. His recent dust-ups with both the Brazilian and Chilean senates over the RCTV closure are

examples where Chavez,s ranting lost him points with ostensible friends without our having to lift a finger.

¶18. (C) But we cannot hope for Chavez,s blunders alone to derail him in the Southern Cone. Hence the package of measures we propose: A more muscular USG presence in the region that builds on high-level visits, underscores the strengths of viable, successful alternatives (i.e., Brazil and Chile) to Chavez,s brand of socialism, targets enhanced resources to regions and populations beyond the elites, and which uses public diplomacy to make our message loud and clear - democracy, freer trade and investment, work and that along with that come active and effective programs to address social ills and the needs of the region's youthful population. Enough said. End comment.

KELLY